

M. Scott Bowen

**1. What is your opinion of the Michigan Lottery?**

The Michigan Lottery is a highly successful, professional business enterprise fund that operates within the Department of Treasury. It is an established entity, having existed for more than 35 years and it is well respected among lotteries in North America. It is a proven money maker for the state's School Aid Fund, having generated a record \$748.9 million in FY 2007. Since the first ticket was sold over 35 years ago, the Lottery has contributed more than \$14 billion to education in Michigan.

**2. According to MCL section 432.7 of the Lottery Act, "The commissioner shall be qualified by training and experience to direct the work of the bureau." Can you please explain how your training and experience qualify you to serve as the Commissioner of the State Lottery?**

Growing up in the environment of a family business, I learned the importance of satisfying the customer and generating a profit, which is the essential business of the Lottery. Behind the scenes, the Lottery is a very complex, intricate operation and my extensive legal background will serve the state well as I navigate its details. In addition, my experience with the Office of State Employer has familiarized me with the structure of state government operations. I have been a judge and city commission president. I know how to handle big budgets in the public sector and proven judgment to handle the demands of this office.

**3. Do you plan to stay with the Michigan Lottery through December 31, 2010?**

Yes

**4. With the existence of three Detroit-based casinos, which have recently upgraded and increased their operations, and the 18 current Native American casinos in the state, what gaming initiatives do you envision to generate future revenue for the Michigan Lottery? How could future gaming compacts impact the Michigan Lottery?**

The Lottery has operated in the face of competition from casinos in Michigan for many years. When the Detroit casinos became fully operational (2000 and 2001), the Lottery experienced a decrease in revenues. Sales increased in 2002 but remained flat in 2003, then began what has been a four year period of continually increasing growth. Much of this growth can be attributed to new initiatives like Club Keno and later the Raffle series. These new games illustrate the Lottery's creative ability to meet the interests of a more sophisticated player base which is faced with increasingly more gaming options. While both are competing for people's discretionary entertainment dollars, the casino player and the Lottery player are not always the same person, nor are the casino experience and the Lottery experience the same. We believe that the Lottery has, and will continue, to offer appealing and interesting games that will allow us to increase our player base.

**5. What is your philosophy for balancing prize payouts with sales?**

In the face of 90 percent-plus payouts by casinos, it is essential that prize payments remain at a certain level in order to maintain sales. The Lottery has an obligation to maintain and grow existing levels of contributions to the School Aid Fund. A gradual increase in payouts will result in increased sales volume, enabling the Lottery to meet that obligation. Flexibility to respond to market demands is a must for a successful operation.

**6. How do you propose to keep costs low in order to raise the maximum amount of funds to support Michigan's schoolchildren?**

Since it began, the Lottery has had exceptionally low operating and gaming expenses. In FY 2007, these expenses were 4.3 percent of our \$2.3 billion in revenue. The Lottery is an extremely efficient business operation and we can continue to be, by continually examining our business practices and increasing sales revenue.

**7. What is your opinion on privatizing some or all lottery functions?**

While the appeal of a significant cash infusion is very tempting, it must be balanced with the loss of one of the state's most profitable assets. In addition to the financial implications of privatization, there are social concerns as well. The Lottery is careful to present its games in a socially responsible context, to promote its games evenly and fairly to all populations of the state, to operate highly regulated and audited games and to support efforts to assist problem gamblers.

**8. What is your philosophy concerning non-profit gaming and would you support a change in the law to expand the list of qualified organizations?**

Charitable Gaming generates millions of dollars for hundreds of qualifying organizations. Through the oversight and processes of the Charitable Gaming Division of the Lottery, these organizations have operated legitimate and structured fund-raising operations that are governed by state law. Expansion of the list of organizations that qualify for charitable gaming status that is commensurate with the public good should be done.

**9. Describe your philosophy regarding advertising for the Lottery. At what point in a marketing campaign is it appropriate to notify policy makers that your advertising could cause a change in state policy on gaming?**

Advertising is an essential component to maintaining and increasing sales for any product. The purpose of the Lottery's advertising is to raise awareness of and interest in our games that results in sales of Lottery tickets in order to generate revenue for the School Aid Fund. Advertising cannot change policy.

- 10. In 2004, the people enacted a constitutional change that said, in part, that no law shall authorize “any new state lottery games utilizing table games or player operated mechanical or electronic devices be established, without the approval of a majority of electors voting in a statewide general election and a majority of electors voting in the township or city where gambling will take place.” What is your interpretation of that section of the constitution? How does it affect your ability to create new Lottery games?**

Proposal 1 was initiated and backed by the Detroit casinos and should be considered in that context. Although largely untested, under its broadest interpretation, Proposal 1 may effectively prevent the Lottery from offering technology-based competitive games that the players of the future will demand. If such games are not available through the Lottery, players will find them through another gaming outlet.

- 11. How would you balance the value of additional revenue in the Michigan Lottery against the social ills of expanded gambling?**

The Lottery’s goal is to generate revenue for the School Aid Fund. If we are to be successful in this mission, we must constantly be presenting an appealing, entertaining product for our customers. We are always interested in attracting new players and providing fresh gaming ideas to current players. However, we have never advocated the Lottery as a means of income, as a replacement for gainful employment, or as an investment. The Lottery will always be presented as a form of entertainment, a game of chance which is intended to be played responsibly. The “play responsibly” message is carried on all Lottery tickets, in advertising and in point of sale materials. In addition, we will continue to support the Compulsive Gaming Helpline with a financial contribution.

- 12. Some have criticized the Lottery saying it targets those who can least afford it. What are your thoughts? Would you commit to doing a study on this premise?**

The Lottery’s marketing efforts are aimed at the adult population of the state that is eligible to play Lottery games. We do not selectively target any segment of the population on any basis in any particular marketing campaign. Every two years we conduct a demographic evaluation of our player base which demonstrates that our audience is very broad with respect to age, race, education, income and location.